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Market Development Reports

Food Business Line

Periodic Press Translations from ATO Tokyo

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Report Highlights: AEON's is the top performer in the Japanese market now and has plans for continued growth in the coming years; Same-store sales of Ito-Yokado's general merchandise supermarkets increased for the first time in 10 years; New American restaurant chains make their debut in Tokyo this month; Three major hotels in Japan are joining the sozai (take-out) food market; The *Japan Frozen Food Association*, reports a 20.2% increase in frozen food imports during 2002 compared to 2001 and; Japanese producer associations create a new entity designed to improve their competitiveness against food imports.

Includes PSD Changes: No
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Retail/Wholesale

- According to the AEON's financial statement for fiscal year 2002, consolidated working profit increased by 11% compared to 2001. It is the third consecutive year of record high sales. AEON appears to have become the top supermarket operator in terms of parent company-only sales, overtaking financially troubled Daiei, which likely failed to achieve its sales target. (a 4/7)
- AEON announced on April 7 that it plans to increase its capital investments by 39% in fiscal year 2003, mainly focusing on 76 new stores. The president of AEON stated that starting in 2004, AEON will open nearly 100 food-oriented supermarkets a year, in addition to 10 new supercenters next year. (a 4/8)
- Ito-Yokado announced on April 10 that its consolidated operating profit increased 8% in fiscal year 2002 compared to the previous year. Same-store sales of Ito-Yokado's general merchandise supermarkets increased for the first time in 10 years. Seven-Eleven Japan, the major convenience store chain operator of the Ito-Yokado group, also recorded high profits. (a 4/10)

Food Service

- In cooperation with the Oregon State Office in Japan, Maruha Restaurant Systems will open "The Oregon Bar & Grill" restaurant on April 10. This new project is under the supervision of Portland's long established restaurateurs, "McCormick & Schmick's", which serves U.S. Pacific Northwest cuisine. It will be located on the 42nd floor of the new tower in the newly developed Tokyo Shiodome industrial complex. (a 4/2)
ATO Note: The ATO staff was on hand to welcome McCormick & Schmick's new entry into the market. In addition to offering a venue to feature U.S. seafood, the new restaurant will also feature U.S. west coast wines. Also arriving in April was the Bubba Gump Shrimp Co. restaurant chain also opening their first site in Tokyo. Although not new to Tokyo, Wolfgang Puck opened its first full-size restaurant located in the newly completed and much heralded, Roppongi Hills, one of the largest, private multi-purpose complexes in Tokyo. In fact the other two new American entrants also graced the openings of prestigious new real estate projects in Tokyo.
- Major hotels such as Rihga Royal Hotel, Hotel Okura, and Imperial Hotel, are joining the competition in selling their own versions of *sozai* side dish take-away meals. The so-called "Hote-Ichi" (meaning Hotel's First Floor is comparable to the "Depachika", Department Store's B1 Food Floor) is gaining more and more popularity. Prices range from 500 yen to 2,000 yen and advanced orders are needed for some special dishes. (a 4/7)
- Foodx Globe, a chain operator of Tully's Coffee shops, announced aggressive growth plans, planning to increase from its current 110 shops to 300 in two years. To accomplish this,

Tully's will strengthen its collaborations with potential partners operating bookstores and will seek new territory in suburban areas. (b 4/15)

Food Processing/New Products/Market Trends

- Some changes can be expected in the imported snack food market. *P&G*, an importer of "Pringles" potato chips, plans to cooperate with *Meiji Seika Kaisha*, and use *Meiji's* distribution network to further promote "Pringles". *Cadbury Japan* obtained the distribution rights for both "Adam's" brand snacks, such as the functional chewing gum "Recaldent" and menthol candy "Halls" from *Pfizer Pharmaceuticals*. With these new strong cooperative networks, the two snack brands are likely to enter a new phase in their market development in the Japanese snack food market. (f 4/10)
- According to the *Japan Frozen Food Association*, total domestic production of frozen food declined by 1.5% in 2002, compared to 2001. On the other hand, the quantity of frozen food imports increased by 20.2% in 2002 compared to 2001. (a 4/11)
- The newly created *Japan Brand Agricultural Cooperative (JBAC)*, consisting of 40 major agricultural associations nationwide with an aim to enhance product branding, was launched on April 1. The goal of this new broad domestic coalition is to enable a stable supply of large quantities of products for Japanese retailers and food service companies, and also enhance Japanese producer competitiveness against imported products. (b 4/15)

Food Safety/Consumer Awareness

- No Significant Articles

ATO/Cooperator/Competitor Activities/Trade Shows

- The CEO of the *Almond Board of California* arrived in Tokyo and held a conference on March 25 at Tokyo's newly opened Wolfgang Puck Café. He reemphasized the importance of the Japanese market for California almonds and shared his expectations for a very successful year for California's current crop being nearly the same level as last year's record harvest. (f 4/7)
- On March 26, *California Walnut Commission* held a press conference regarding "The 14th California Walnuts Contest". The Commission is currently employing the creativity of contest participants to discover new menus using California walnuts. The deadline is June 5 and winners will be chosen on July 8 in Tokyo. (f 4/7)

Sources

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|----------------------------------|---|
| (a) The Japan Economic Newspaper | (b) The Nikkei Marketing Journal |
| (c) The Japan Food Journal | (d) The Beverage & Food News Commentary |
| (e) The Japan Food News | (f) The Food Industry News |

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